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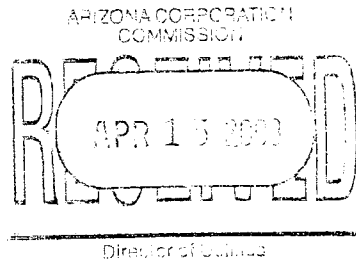
2003 APR 15 A 11:02

KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

April 14, 2003

Mr. Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



RE: ACC Electric Competition Advisory Group – SRP's Comments
Docket No. E-00000A-02-0051, et.al.

Dear Mr. Johnson:

SRP is pleased to participate in the ACC's Electric Competition Advisory Group and we appreciate the opportunity to provide comments to the Arizona Corporation Commission regarding its electric competition rules. As required by A.R.S. § 30-802(A), SRP continues to actively work with the ACC to identify opportunities to coordinate our efforts to promote consistent statewide application of our respective rules, procedures and orders. SRP suggests that the ACC's review of the electric competition rules be broadened to include a discussion of key policy issues – similar to the reviews recently completed by the Arizona Legislature and SRP's Board of Directors.

As you may be aware, the legislature formed the Ad Hoc Electric Industry Competition Study Committee in 2001 to review consumer protection concerns relating to the electric industry structure in Arizona. During 2002, the committee examined and made recommendations on issues relating to the status of electric competition in the western grid and in Arizona. Commissioner Hatch-Miller, in his capacity as Chairman of the House Energy, Utilities and Technology Committee, served as co-chair of the committee and Commissioner Mundell served as an advisory member representing the interests of the ACC. The committee was comprised of four senators and three representatives, with an advisory committee that included the RUCO director, ACC chairman, and a representative for large business, small business, general public, merchant power plants, electric cooperatives, City of Mesa, TEP, APS and SRP.

The committee studied the following eight issues: (1) the causes and effects of the deregulation structure in the state of California and other western states; (2) measures to protect consumers from volatile wholesale and retail price swings; (3) measures to insure the safety and reliability of the electric system; (4) measures to insure that Arizona retains the benefits of its valuable electric system assets; (5) the impact of the creation of regional transmission organizations in the west; (6) the intent and effect of

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the state and federal lobbying efforts of Enron Corporation; (7) any other issue that the Committee deems relevant; and (8) appropriate changes to the electric power competition act.

Key witnesses testifying on these issues included representatives of consumer groups and federal, state and industry experts. For example, the Chairman of the Utilities and Commerce Committee on Energy Costs and Availability for the California Legislature and the executive directors of The Utility Reform Network (TURN) and the Independent Energy Producers Association shared the mistakes made and the lessons learned from the California restructuring experience. An industry expert and FERC official discussed the wholesale energy markets, addressing standard market design, transmission rights, and RTOs. A draft of the final report of the study committee was made available in February 2003 and is pending final approval by the committee. In its report, the committee concluded that these issues raised sufficient concern to require additional study and recommended the reappointment of the committee to allow for such further study. A copy of the final draft of the report is attached.

SRP's Board undertook a similar review in the second half of 2002. The SRP Board reviewed the status of deregulation in Arizona and the rest of the nation, examining the experiences of other states, such as California, Nevada, Texas, Pennsylvania, and Oregon that have begun to implement retail competition. The Board also reviewed the activities of the Legislative Ad Hoc Committee and the ACC, examined the history of the electric industry and the actions leading to the deregulation of the industry, as well as the possible implications of FERC's standard market design proposal on Arizona and the electric industry. At the conclusion of the process, the SRP Board identified a number of policy issues that require additional review and is hopeful that the ACC and the legislature will undertake a joint review of the advisability of implementing retail competition while the wholesale market is being re-regulated.

In summary, SRP encourages the ACC to conduct a broader review of key competition-related policy issues. SRP suggests that the ACC specifically study the effects of its new competitive bidding requirement on the implementation of retail competition in Arizona and further study the policy issues reviewed by the legislature.

I look forward to discussing SRP's proposal in more detail at the upcoming Electric Competition Advisory Group's meeting. If you have any questions in the interim, please feel free to contact me at (602) 236-5262.

Sincerely,

/s/

Kelly J. Barr

cc: Docket Control (Original and 13 Copies)